

## Emerging Markets Queries in Finance and Business

# Guidelines for the adaptation of system planning management to the new requirements of emerging markets

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## Abstract

In the dynamic business environment of the 21<sup>st</sup> century the vast majority of companies strive to improve their production output and production cost control, trying in the same time to stay relevant in developing markets. The fast changes that an emerging market withstands and the pace in which they are deployed into certain industries creates extra pressure on companies to adapt their production as a whole and system planning management protocols in particular. In system planning these shifts are creating imbalances that reverberate throughout the company, so a fine tuned approach must be used when dealing with the restructuring of this key element. The following paper tries to take into agenda the most common used system planning methods and models and restructure them in a manner that permits them to be more adaptable and dynamic in to emerging markets and have in the same time a scalability that will minimize future financial and technological crunches.

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Selection and peer-review under responsibility of Asociatia Grupul Roman de Cercetari in Finante Corporatiste

**Keywords:** System planning management; business model analysis; adaptation of business; operations management.

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## 1. Introduction

The economic context of the 21<sup>st</sup> century is defined by a dynamic financial and business environment due to the

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constant facilities derived from technological applications, for the majority of international organizations. This crunch in communicational and operational timeframes has encouraged organizations to expand their activities into new markets. By doing so they face the challenge of adapting to the particularities present in different regions, in relation to the protocols that regulate the usage of capital, to entrustment in local talent and adaptations to the institutional culture by create a flexible way of conducting business altogether.

The intertwining between different business models, and a single cultural background of a foreign market, may generate a spectrum of system adaptations that determine the financial success of the newcomer and influence in various ways the local culture.

Under this pressure, a rivalry in understanding the particularities of the local environment arises. Challenging the adaptability of an organization and harmonizing its internal business processes to the geopolitical, economic, social and cultural present reality of emerging markets (features that are built-in the market structure in accordance with regional and historic operational patterns).

Following the global vision of a new and more connected world, the strategy and tactics of capital deployment worldwide have followed in accordance and tackled at the beginning of the 21<sup>st</sup> century, the challenge of implementing such a bold paradigm.

Even if the benefits and profitability of sharing resources and business systems are acknowledged bilaterally, the implementation management and planning of operational best practices are not always applicable to their full potential. The way companies are expressing themselves and function in the new environment is heavily linked to their imbedded capabilities to implement their business model in that market.

Therefore, the confrontation in maximizing the efficiency of a planning management system is between the operational adaptability of the organization, on one hand and the structural sensitivity regarding the feedbacks received from the environment, on the other. Having to deal with managing this change required by the new external factors that influences the internal planning structure and the business model for subsidiaries (optimizing the strategic and system planning methods).

To handle and control in a systemic manner the complexity of external challenges posed by a new market, we will analyse the most commonly used system planning and strategic planning methods and models.

We will analyse their efficiency in respect to their applicability in a business environment with emerging market characteristics. In addition, from this theoretical benchmarking we will restructure them and capitalize on the adaptable and dynamic features of the common elements using an optimized strategic thinking framework.

## 2. OVERVIEW: CONCEPTS OF SYSTEM PLANNING AND STRATEGIC PLANNING

To handle the changes generated by a an emerging market and its different cultural environment, an organization has to implement a new structural design for its subsidiary, so it may collect a larger batch of information that would ease in the adaptation efforts and maintain the original business model's core values and main strengths.

The first step is implementing a **business system planning** method (or B.S.P.<sup>†</sup>) as a leading mean of analysing and designing the subsidiary's structure for retention and manipulation of business information. B.S.P is a particular method of strategic information system planning (I.S.P.<sup>‡</sup>) and is usually regarded as the most complex method/protocol that deals with interconnected data from the operational environment, and has a direct impact on how processes and organizational sections are restructured, which in response has a direct

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<sup>†</sup> IBM first introduced the business planning method in 1981 for internal usage only and later became a commercial product sold to other organizations. The earliest application of B.S.P. protocols began during the early 1970s. (The Blackwell Encyclopedia of Management , 1999, p. 179)

<sup>‡</sup> I.S. planning is a set of activities directed toward achieving three objectives: (a) recognizing organizational opportunities; (b) identifying the resources needed; (c) developing strategies and procedures (Hann & Weber, 1996, p. 1044)

influence on strategies and objectives. Once the information architecture methods are deployed factors like understanding the issues and opportunities with current enterprise resource applications, developing the future technology supporting the organization and providing executives with a conceptual direction as well as a decision-making framework, are ensured.

Providing an information system (I.S.) gives the company a better understanding of its environment by generating a developmental blueprint, through a technological roadmap, that aligns the investment strategy with the business strategy.

The method is comprised of three sections (regarded as the “preparation-analysis-conclusion” trio) of approximately five steps each, with sections selected in respect to their application. The first stage “*preparation*” encapsulates the formal first steps of any method, as study authorization from the organization is given and the development team is assembled (comprised of a managing director, a sponsor, a team leader, team members and an assistant to the team leader). The preparation stage is necessary so the stakeholders may be consulted and informed in regard to the timeframe and overall objectives.

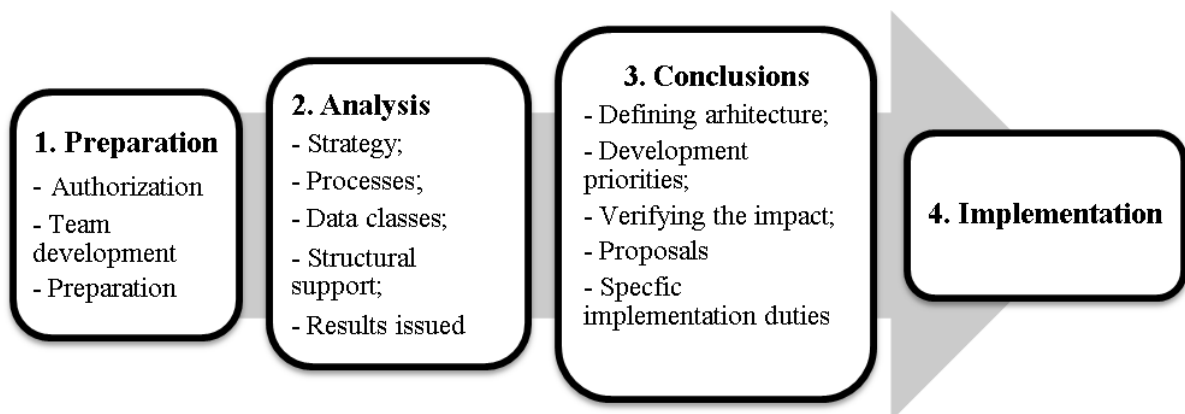
The second section of system planning is the “*analysis*” and is regarded as the most crucial part of any B.S.P., as in it the development team seeks the most appropriate organizational form of structure that would buttress the business strategy, processes and data classes, and through which the current information support would be analysed. The analysis stage is focused on the organization’s strategy, processes, data classes, structural support, management discussions and the overall aggregation of analysis information into a usable protocol.

The strategic analysis of an objective is shaped in correlation with the capabilities of achieving it within by the organization, and is developed around these key issues:

- Adapting the subsidiary to new customer perceived needs;
- Centrally planning the input and outputs of the business: stock, manufacturing/services and payments;
- Improving the sub-processes subsequent to the manufacturing/services process (checking in, shipping, presentation, advertising and collaborate relations);
- Adaptations for attracting new customers by product-portfolio expansion and cost and loss reduction scenarios;
- Simplifying customer’s order cycles through transport coordination as well as upgrades of production line and information base.

The development team redesigns the processes having a defined target to benchmark the results on, and organizational units formed from the departments of the organization as support structure and each department having a specific target to accomplish.

Figure 1 The streamlined process of the B.S.P. method (Source: R. Rădulescu, A. Aliculesei, C. Mahika)



The final stage or the “*conclusion*” defines the architecture of the new design by gathering up the development

priorities and verifying their respected impact on the organization, and its information architecture (Zachman, 1987, p. 291).

Also disseminating the proposals and setting up the specific responsibilities and the implementation duties for the implementation stage are encapsulated in this stage as it is regarded as the direct link between the strategy and the implementation of a system-planning project.

After having a clear pattern of collecting the relevant data from the environment and the structural means of processing it, the organization must assign qualitative parameters that would help to order the batch in such a way a strategic plan can be formulated.

This action is fulfilled through the utilization strategic planning, concept which envelops the methods of developing the organization's processes to follow the desired direction (or to pursue the agreed upon objective) through the formulation of strategies, that are responsible for allocating the organizations resources in an efficient and effective manner on a well-defined timetable (Mintzberg, Lampel, & Quinn, 2002). The concept of strategic planning may also extend its control to the mechanisms and methods responsible for guiding the implementation of its strategy.

#### ***a. STRATEGIC MANAGEMENT, STRATEGIC MANAGEMENT PLANNING AND STRATEGIC PLANNING***

To put the beforehand explained concept into context, we have to take into agenda the three major concept regarding strategy: the strategic management, strategic management planning and strategic planning.

- Strategic management entails the analysis of internal and external environment of a firm to maximize the utilization of resources in relation to objectives (Bracker, 1980);
- Strategic management planning is the formulation, the evaluation, and implementation of decisions that enable an organization to reach its objectives (David, 2009);
- Strategic planning is the process of determining the mission, major objectives, strategies, and policies that govern the acquisition and allocation of resources to achieve organizational aims (Pearce, Freeman, & Robinson Jr., 1987).

Therefore, when creating the link between system planning and strategic planning, must be take account of the effects the latter will have on strategic management as a whole.

A first step of alignment of the two is creating them on similar grounds in respects to the why they arise. As strategic planning can be formulated in two major way, as it can be intended (priori planned), or it can be emergent (resulting from the observation of a certain pattern of activity as the organization is adapting to its operational environment).

A second phase of alignment is the formulation and coordination roles that the two concepts are responsible for, as strategy includes the processes of formulation and implementation, as strategic planning is responsible for coordinating them both. Thirdly, the nature of strategic planning is analytical as it is responsible for finding the relevant batch of information, as strategy formation is responsible for the synthesis of this batch through the usage of strategic thinking.

Strategic planning has the same major building blocks of every process: inputs, activities/sub-processes and outputs with feedback loops throughout its sub-processes that generate a typically iterative behaviour.

The sections of the activities/sub-processes may present continuous elements or they may be implemented as discrete projects that have a definitive timetable and a precise starting point. Regardless of the nature of its activities, the result of strategic planning includes a diagnosis of the operational environment and of the competitive tensions, and guides the overall policy of an organization on in respect to what it intends to accomplish, relating the key action plans to relevant information.

Briefly, strategy planning involves setting up a goal, determining the actions needed to achieve that goal and mobilizing the available resources to execute the action.

The most common process through which a strategy formulates its goals and the way they will be achieved (using resources) is the strategic information system planning (S.I.S.P). The strategic information system

planning aligns the I.S.P. with the corporate strategy and by doing so creates an advantage for the organization over its competitors.

Formulation of a strategy planning system takes consideration of the following key elements according to (Porter, On Competition - Updated and Expanded Edition -, 2008)

- The company's strengths and weaknesses;
- The value system of the key implementers of strategy;
- Industry's opportunities and threats as well as barriers and limitations (Porter, How Competitive Forces Shape Strategy, 1979);
- The broader social influence of the strategic measures;

The relation between internal factors (the first two elements of Porter's framework) that are defining the internal environment and the external factors (the latter two elements) that present the external conditions is considered throughout the process of strategic planning.

### 3. TRANSFORMING STRATEGIC PLANNING INTO STRATEGIC THINKING

*"The essence of formulating competitive strategy is relating a company to its environment" (Porter, How Competitive Forces Shape Strategy, 1979)*

A large variety of analytical tools and techniques are used in the development of strategic planning roadmaps, as organizations and management consulting companies are striving to provide a framework for an analytical strategic planning and strategic thinking methodology.

The most used frameworks include P.E.S.T.(L.E.) analysis which covers the elements of the external environment such as the political, economic, social and technological parameters of the operational context (Gupta, 2013, p. 35) as the L.E. abbreviation stands for legal/regulatory and ecological/environmental elements and adds a deeper layer of interdependencies to the basic analysis.

The scenario planning analysis tool, which originated as a military application tool, has become a standard procedure in correlation with P.E.S.T. (L.E.) analysis, to form an expanded research framework.

This framework and its scenarios can be augmented with the application of Porter five forces model, which addresses industry attractiveness or rivalry criteria as well as an S.W.O.T. matrix to address the correlation between internal strengths and weaknesses and the external opportunities and threats. This addendum gives a clearer relations roadmap of interdependencies between the internal potential of an organization and the external characteristics it has to adapt to. The evaluation is summed up in a growth-share matrix, which gives decisions of retaining or divesting the portfolio of the organization so it may better suit the trends of the industry.

The final step is generating a systematic framework for the measurement and management of strategy, through the usage of balanced scorecards and strategy maps to give the decision maker a dynamic perspective of the estimated evolution patterns of the organization and give way to the establishment of a fluent and replicable strategic thinking structure.

### 4. CONCLUSIONS AND GUIDELINES

The attempt to systematize strategic thinking and strategy formation through strategic planning, which are inherently activities of an abstract nature that involve the synthesis or "connecting the dots" approaches that by definition could not be included in a system (Mintzberg H., 2002).

Strategic planning can help coordinate planning strategic efforts by measuring the progress of strategic goals (Mintzberg H., 2002), but this phenomenon occurs adjacent to the strategy formation/formulation process, rather than being an intrinsic part of it.

Furthermore, strategic planning has the tendency to function isolated from the lines of contact between the organization and the operational environment and may not be a very effective approach at supporting strategy efforts if rapid shifts occur in the environment.

## ACKNOWLEDGEMENTS

The authors would like to thank prof. Gabriela Țigu, Ph.D. - University of Economic Studies, Bucharest, Romania for the support given in developing this article.

This work was co-financed from the European Social Fund through Sectorial Operational Program Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/142115 “Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain”.

This work was co-financed from the European Social Fund through Sectorial Operational Programme Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/134197 „Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain”.

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